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«Sense of failure» and «sense of success» among entrepreneurs: the identification and promotion of neglected twin entrepreneurial competencies

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«And yet I felt as if I sensed all around me the smell of something ominous which elude me» (Umberto Eco)

Abstract

Most of the current courses and textbooks in entrepreneurship focus on promoting start-up desirability and feasibility. We call for a more balanced approach to entrepreneurship education and training by developing a sense of success *and* a sense of failure among would-be entrepreneurs. The sense of success acts of a promotion of entrepreneurial behaviour and encompasses elements such as the start-up intentions, expectations and ability. Conversely, the sense of failure acts as prevention and draws on negative experience, responsibility and awareness of pitfalls. We posit that the combination of both senses can reduce the large number of business failures which leads to huge economic, political and psychological losses. In addition, this approach might help failed entrepreneurs to come to terms with their grief and re-start a venture.

1. Introduction

Entrepreneurship is one of the most powerful drivers of growth and prosperity in the modern global economy. Few factors have as great an impact in creating jobs, producing innovation, or generally contributing to a dynamic and competitive economy. It is therefore not surprising if policy makers claim that «Europe needs more new enterprises and more innovation» (European Commission, 2012, p. 21). This has led to renewed calls to anchor entrepreneurship in the curriculum of secondary, vocational and higher education in order to stimulate the entrepreneurial mindset of young people and to create a more favourable societal climate for entrepreneurship.

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«Entrepreneurship and a sense of initiative» is one of the eight key competences for lifelong learning which citizens require for their personal fulfillment, social inclusion, and employability in a knowledge society (EACEA, 2012).

Despite this craze for entrepreneurship, the odds are stacked against start-ups: They suffer a disproportionate failure rate in both boom times and bad. Statistical evidence shows that half of start-ups exit the market in their first five years of existence (Freiling & Wessels, 2010; SBA, 2012). This reality calls for more than the legendary need for achievement, resilience, and risk taking propensity usually associated with entrepreneurs. Launching a new business venture elicits a can-do attitude since entrepreneurs must be convinced that the opportunity they are pursuing will find a market acceptance. In other words, entrepreneurs must have a «sense of success». But they also need to develop a know-how and a feeling for potential pitfalls, errors and difficulties in all areas and at all stages of the start-up. They must exhibit a «sense of failure». Whereas the «sense of success» has long been recognized in both academic and practical terms (Rottefoss & Kolvereid, 2005; Reynolds, 1997; Souitaris et al., 2007), there are not many pointers to the «sense of failure» (Bryant & Dunford, 2008; Schulte, 2011; Sommer & Wittrock, 2011; Wilkinson & Mellahi, 2005).

Our approach builds on past research from the regulatory focus theory (Higgins, 1998; Sitkin & Weingart, 1995). According to this theory, individuals develop a strategic orientation about how they self-regulate their behavior, which becomes engrained early in life through childhood interactions with primary caregivers. Individuals who form a prevention focus are primarily concerned with protection, safety, and responsibility. Thus, they tend to be motivated to avoid losses or setbacks. In contrast, those who self-regulate through a promotion focus are primarily concerned with advancement, growth, and accomplishment; hence, they are primarily motivated to seek gains and new achievements.

In the context of entrepreneurship, self-regulation is broadly defined as a systematic process of human thought and behavior that involves setting personal goals and steering oneself toward the achievement. When considering the sense of success, entrepreneurs' growth and advancement needs motivate them to try to bring themselves into alignment with their ideal selves (based on their dreams and aspirations), thereby heightening the salience of potential gains to be attained. Conversely, when considering their sense of failure, entrepreneurs' security and safety needs prompt them to attempt to bring themselves into alignment with their ought selves (based on their sense of duty and responsibility), thereby increasing the salience of potential failure to be avoided (Brockner et al., 2004).

Regulatory focus theory suggests that individuals develop a strategic orientation about how they self-regulate their behavior, which becomes engrained early in life through childhood interactions with primary caregivers. Once developed, this orientation is consistently exhibited across time and context throughout their adult lives (Higgins, 1998). However, we propose that, while a prevalent orientation may exist, would-be entrepreneurs need both a sense of success (promotion) and a sense of failure (prevention) to launch a sustainable business ventures.

Very few studies have tackled self-regulation in entrepreneurship to date (Bryant, 2007; Hmieleski & Baron, 2008). It remains unclear if specific factors affect regulation in entrepreneurship. In addition, there is a need to understand how the sense of success and the sense of failure are interwoven in such a way that one does not adversely affect the other, but instead complement each other.

In this article, we examine how knowledge about the pitfalls and the collapse of start-ups can be integrated into the development of entrepreneurship competencies. This knowledge and this sensitization should serve to equip would-be entrepreneurs with a «protective belt» against careless or surprising crashes. This is about a «sense of failure» which, on the one hand, every entrepreneur has already acquired but which, on the other hand, must first be systematically generated by means of training. We intend to contrast this «sense of failure» with its opposite («sense of success»).

2. Rationale

The first rationale for this project is the large number of failed enterprises which leave behind huge economic, political and psychological losses. Ultimately we would like to prevent failure from taking place and, if it does take place, make sure that a recovery should be possible. The statistics on business creation and bankruptcy are telling. In 2010, 37,682 firms were launched in Switzerland; 6,204 of them went bankrupt – a 23% increase from the previous year (Dun & Bradstreet, 2011). A closer look at these statistics reveal the industries that are in particular jeopardy (for instance the hospitality trade) and the regions in which most failures occurred (for example the Lake Geneva region). In 2011, a record 39,665 start-ups were launched and 6,536 firms went bankrupt. No matter how interesting these figures may be, they have nothing to say about people's fears in such failure situations. They reveal nothing about the reasons for failure, its long-term consequences (such as high levels of indebtedness), and the strains on relationships; nor do they say anything about the entrepreneurs' moral responsibility for all the other people involved.

A second rationale is the need to provide responsible education and training in entrepreneurship. Most courses and textbooks in the field omit any precautionary dealings with failure. Over the past decade, support for start-ups in the form of courses and coaching has focused on the competencies which have positive connotations and which are associated with start-up desirability and feasibility (i.e. «sense of success»). On flyers, smiling faces and young people brimming with success can be seen, whereas little can be found about possible failure. Elements of knowledge and emotions which should prevent young people from failing are missing. In the same vein, Shepherd (2003) suggested that knowledge about failure should be communicated and that everything should be done to lend a helping hand to entrepreneurs who have failed. This would help them both to start anew and to come to terms with the shame and misery caused by failure.

Therefore, we suggest that all aspects of business start-up should be imbued with a feeling for fragility, for the dangers of failure, and with knowledge of what did not

work in other start-ups. This «sense of failure» is not intended to curb start-up activity and risk-taking propensity. It is rather about the equilibrium of both forces, a calibration of all start-up elements from the knowledge perspective of potential success and possible failure.

A third rationale for this topic stems from methodological flaws in past research. For example, Cope (2011) gained very good insights into the psychology of failure but he was not in a position to make comparisons between entrepreneurs who failed and entrepreneurs who did not. At the end of Cope's work, the impression of a certain glorification of failure cannot be shaken off. What should be retained from Cope's work are the eight failed people who have been interviewed intensively. However, eight successful people from the same industries who launched start-ups round about the same time, with about the same firm size and the same type of operation (matching pair), should also be interviewed and compared with those who were unsuccessful. This would have allowed making a comparison between successful and unsuccessful entrepreneurs from the same industries with regard to the same dimensions and categories. Thus, most of the qualitative studies until today are somehow «incomplete».

Failure is usually a complex phenomenon which is capable of destroying an entrepreneur's life. From an economic perspective, there are those who are never able to recover and spend half their lives in employment repaying their debts. From a psychological perspective, as seen in Cope's (2011) study, however, statements concerning emotional suffering are much more dramatic than those about financial worries. Failed entrepreneurs mention contempt, loneliness, and seclusion during the shut-down, marital difficulties, divorce, loss of networks, and despondency.

All these emotions suggest that people feel professionally tarnished. The struggle with oneself, one's private sphere and one's non-professional ties and relationships thus require the most effort. And what is significant: all of them speak of scars which make failed entrepreneurs more cautious. One founder was quoted by the author as saying: «I am certainly not as blindly optimistic as I once was. I guess I never really thought about what could go wrong.» And he continues: «This is not necessarily a wholly negative outcome of failure [...], as 'knowing what can go wrong' is an invaluable asset that can enable more considered, anticipatory and affirmative future actions» (Cope, 2011, p. 612). In the same way that the author speaks of «lessons learned from failure», all this recalls a variable of our concept of «sense of failure», namely experience and negative knowledge of failure.

A further element is the process of healing and restoring self-confidence (Forster et al., 2001; McGrath, 1999; Singh et al., 2007; Shepherd, 2003; DeTienne & Cardon, 2007), the recognition and reconstruction of how other people have re-emerged from ordeal and have practiced recovery. Open imitation processes are highly significant in this respect. Speaking about failure and disclosing weaknesses must go hand in hand with normalization and a re-start. The acquired resilience with regard to decisions that must be made faster (we would say, with regard to the efficient «sense of failure» acquired) leads to a situation whereby failed entrepreneurs now know better what they would do differently. In our language, they link their «sense

of failure» to their «sense of success». As a result, many entrepreneurs who experienced failure often believe that they could put badly performing companies into shape. They know what was wrong, and they want to use this knowledge and these emotions to do things better in the future.

3. Scarce literature on business failure

In previous research, five interrelated approaches on business failure predominate. The first approach deals with financial matters, bankruptcy and debt deferment. This approach also encompasses failure friendliness policies, such as debt or tax relief for start-ups after they have failed. Dembinski (2002), a classic in the field of investigations into the causes of bankruptcy, reveals that besides a sudden drop in turnover, management errors were generally less prominent in bankruptcies between 1994 and 2001, whereas funding problems such as loan cuts, increases in financial expenditure, longer payment periods and a gradual loss of market position took centre stage. Micro-enterprises in services and trade, and very young founders were particularly affected by bankruptcies. Dembinski was the first author to aggregate a plurality of factors (finances, 47%; management, 33%; demand, 25%, internal crisis, 6%), thus being able to draw up a profile of the companies that went bankrupt.

For his part, Cressy (2006) developed a model to explain why most firms die in the first few years of trading. He found that, to balance return (profits growth) and risk (variance of profits) entrepreneurs adopt a portfolio strategy, choosing market positioning to achieve an optimal combination of risk and return at each instant, given their financial and human capital endowments and attitude towards risk. Failure occurs when the firm's value falls below the opportunity cost of staying in business. Similar arguments are proposed by Holtz-Eakin (1994), who focused on liquidity constraints. Inheritances, in particular, boost the probability of non-failure and the founder's remaining the firm's sole owner. If the future brings nothing but debt, then the probability of failure is postponed in an unreasonable way (Ahlstrom & Bruton, 2004). When confronted with the three options of (a) out-of-court settlement, (b) reorganisation bankruptcy, and (c) liquidation bankruptcy, firms would plainly prefer the second, and the law therefore ought to provide the second with a greater possibility of being realised.

A second strand of research deals with learning from failure as a cognitive coping task (transgenerative dimensions of failure processes). The question here is how the experience of failure prompts people to pursue a new start-up and to make use of the «negative» knowledge thus acquired in such a way as to prevent further failure (Shepherd et al., 2009; Singh et al., 2007; Cannon & Edmundson, 2001; Folkman et al., 1986; Kinicki et al., 2000). For example, Cope (2011) is essentially concerned with recovery and what can be learned from failure. He provides an in-depth understanding of what actually happens in human and financial terms when someone has to accept that he or she must close down. His study sheds some light about the recovery and re-emergence that foster higher-order learning outcomes.

It is thus not only the financial and emotional dimensions that should be taken into consideration but also the professional and relational damage which is incurred. Indeed, the processes associated with failure represent a human regression. Therefore, the re-generation of independence requires explicit social recognition and affirmation. Even if we basically accept that this is a forced learning process, the necessary grief work is of significance. An entrepreneur has to learn that things could not have gone on like this and accept as a fact that the whole debacle is perhaps entirely, or at least partially, his own fault. What Cope (2011, p. 605) describes as higher-order learning is not a set of routine processes which lead to a particular treasure trove of knowledge or, in our terminology, to a high «sense of failure». Here, negotiated and relational elements are of the greatest significance. It is not for nothing that Baumard & Starbuck (2005) noted that small failures only end up confirming previous prejudices whereas only big, fundamental failures actually change these negotiated and relational elements.

In general, this second research strand suggests that experienced entrepreneurs credit learning from past failures as a crucial aspect of their experience base. For instance, Sitkin (1992) argues that failure is an essential prerequisite for learning since it provides the opportunity to pinpoint why a failure has occurred. Failures provide entrepreneurs with the opportunity to discover uncertainties that were previously unpredictable (McGrath, 1999; Sarasvathy, 2004), which implies that failure analysis can serve as a powerful mechanism to resolve uncertainty. This line of reasoning is in accordance with McGrawth's (1999) arguments suggesting that failure can have positive effects on entrepreneurs' knowledge base as it helps them to reduce uncertainty, increase variety, and expand the search for new opportunities.

A third approach examines problems of coming to terms with the experience of failure at an emotional level. This approach primarily focuses on grief work, and with humiliation, stigmatization (Sheperd, 2003; Shepherd et al., 2009), and entrepreneurial disillusionment after a start-up (Schulte, 2011). Further variables that belong to this third group are entrepreneur motivation, over-confidentiality (Wickham, 2006), risk love and risk aversion (Breakwell, 2007). These psychological variables play a crucial role before, during and after the shut-down. For example, Schulte (2011) shows that in the period following the start-up, an entrepreneurial demotivation can be observed. At this stage, the motives that go hand in hand with the social standards and code of values (extrinsically: income and reputation; intrinsically: self-realisation and independence) are weakened.

Shepherd (2004) addresses motivation in a completely different way and he suggests that fledgling entrepreneurs ought to be confronted with the emotions of those who have failed. In normative terms, this is the duty of all those who are involved in education and training: «Even if education on the emotions of failure does increase anxiety and decrease entrepreneurial intention, educators still have an obligation toward their students to include this content into their entrepreneurship courses» (Sheperd, 2004, p. 282). Consequently, he suggests adopting a pedagogy that helps students come to terms with the emotions produced by learning from failure. In this

respect, it is necessary to communicate negative knowledge about others who have failed, but that it is also necessary to provide positive reinforcement and support.

The most important dimension of this third strand of research is the risks that all founders have to take. Risk is related to the problem of the uncertainty of all human knowledge and action (Bröckling, 2007). Risks should be preventively cushioned with the help of probability calculations; they are expected to be a cornerstone of a reasonable cost element. Frequently, too little is known about the demand situation. Therefore requirements can hardly be forecast, which deprives a responsible economic actor of the ability to steer a proper course. This is a situation characterized by uncertainty. The adoption of concepts of decision theory with the elements of accident and risk were taken over from psychology and applied to the economy. Tversky & Kahneman's (1974) seminal work «Judgment under uncertainty: heuristics and biases» made a vital contribution to this. Breakwell's (2007) «The psychology of risks» dealt particularly with risk perception, risk decisions and risk and emotions. Similarly, Gigerenzer, Todd and ABC Research Group (1999) became well-known with their work on the perception of probabilities with the corresponding beliefs, and Caliendo, Fossen and Kritikos (2009) demonstrated that risk aversion is a strong factor preventing individuals to start their own business. More recently, Hertwig and his group (Hertwig & Pleskac, 2010; Hertwig, 2012) conducted investigations into the fact that one's own experience contributes towards mitigating risk. His concept of «decisions from experience» made clear that the «negative knowledge» (Oser & Psychiger, 2005) influences risk-taking behaviour.

Researchers have thus uncovered more of the internal complexities associated with risk-taking. It is no longer seen as a single unitary process, where people make objective assessments of probabilities based on complete information. Rather, individuals possess general propensities to accept or avoid risks, to perceive and assess risks based on subjective criteria, and to make idiosyncratic trade-offs between risk and reward in decision making (Bazerman, 2002). To deal with risks, individuals consistently employ decision heuristics defined as cognitive short-cuts (Caliendo et al., 2009). Therefore, behavioral approaches and the study of decision-making in particular incorporate psychosocial factors into the analysis of risk.

The fourth strand of research deals with «living dead entrepreneurs» – start-ups which are barely profitable but which keep on their struggle in spite of near failure (Casas, Volery & Hilb, 2010). The «living dead entrepreneurs» phenomenon can be linked to the stream of work on «permanently failing organizations» defined by Meyer and Zucker (1989, 19) as «organization's whose performance, by any standard, falls short of expectations, yet whose existence continues», sometimes over long periods of time. Van Wittelloostuijn (1998) attributes a firm's tendency to «keep on ticking» to institutional factors such as idiosyncrasies and diverse narrow stakeholder interests yielding intra-firm conflict impossible to manage. Consequently, underperformance is the «unintended result of a myriad of practices», never the result of «deliberate or intentional» actions of decision makers. This phenomenon has received relatively scant scholarly attention to date, probably because of the stigma

associated with labels such as «under performance», «chronically unprofitable», and «inefficient».

The fear of failure is widespread in the population. A study conducted by the Federation of German Psychologists (BDP) reveals that failure inhibits the start-up momentum in many cases (Burandt & Kanze, 2010). Over the past decades, the proportion of self-employed among Germany's working population has been between ten and eleven per cent. According to the Institut für Mittelstandsforschung in Bonn, this proportion was a proud 30% back in the 1950s. But that has long been a thing of the past. The founding momentum has fizzled out and it lately been replaced by a deep-seated fear of failure (Meyer, 2010, p. 14).

The fifth approach is concerned with what we call ethnographic exploration of failed settings and persons. It is a qualitative questioning of subjectively experienced grief after having failed (Cope, 2011; Freiling & Wessels, 2010). The general danger of such studies is the generalization of the results. For example, Freiling and Wessels (2010) claim that there are only three generalizable reasons for failure: overoptimism, wrong estimation of customer needs, and personal conflict between founders.

We consider all these approaches from the perspective of a central competence development: what knowledge and skills an entrepreneur must acquire in order to prevent failure? From a pedagogical point of view, the development of a «sense of failure» which serves a preventive function should be developed alongside the «sense of success». Would-be entrepreneurs must have some knowledge about possible living death situations and delayed respective failure, which protects them against the inevitable risks associated with the pursuit of their projects. They must bring this «negative» knowledge into a creative balance for a hope of success (Oser & Spychiger, 2005). It is necessary that they launch the start-up despite this knowledge, or that they do so precisely because of this knowledge, in order to overcome their own fears. This negative knowledge relates to exits and bankruptcies. It can stem from personal experiences of failure, from «nearby» shut-downs that still induce fear and from other entrepreneurs' accounts.

4. The underlying dimensions of the sense of failure and sense of success

In this section, we present the two factors «sense of failure» and «sense of success» as constructs in order to be able to subsequently link them with measuring instruments. As suggested in the introduction, there should be a balance between the two constructs. This allows the emergence of start-ups and ensures that entrepreneurs consider pitfalls when they decide to take the plunge. We have eluded that prior to the start-up, the «sense of success» is generally overemphasized while once the actual launch has been completed, the emphasis should be on the «sense of failure».

4.1 Sense of failure

The sense of failure is a prevention mechanism concerned with security, safety, and responsibility. We speak of a «sense of failure» as a kind of seventh sense which is responsible for applying the emergency brake at the right moment. This sense includes items of knowledge, beliefs, attitudes and behavior (heuristics of interventions), but they are of a completely different kind compared to the «sense of success». The «sense of failure» draws on entrepreneur's own «negative knowledge», about beliefs in the fragility of entrepreneurial concepts, even though they appear to be perfectly safe. This is about an attitude of responsibility when crises occur, about action patterns when the ship is lurching and sails adrift.

Several reasons can lead to a business failure. For example, the basic idea that leads to the start-up is too weak; difficulties emerge with regard to funding; the technology or product design is flawed; legal difficulties are encountered; or interpersonal and emotional tensions obstruct the way. Therefore, whereas the «sense of success» contains the dimensions of general and start-up-specific motivation (e.g. perseverance and risk management and all actions contributing to the development of a business idea), the «sense of failure» is about something completely different. Here, a degree of know-how and an «intuition» must be developed to understand that a business venture might be doomed to failure if just one piece of the entrepreneurship puzzle is missing. For example, entrepreneurs are convinced of the uniqueness of their product and they believe that potential customers will discover this uniqueness and be ready to pay for it, but if this product is not commercialized in time, then the business is likely to fail.

Seen as a whole, all entrepreneurs and investors to whom we present the concept reckon that it is precisely what nascent entrepreneurs lack. The concept is accepted immediately. If we ask further questions, however, we find that there is very little knowledge about this construct implies. «This is precisely what many people who have started up a company lack and who therefore fall into the abyss», said one entrepreneur-investor. To formulate it negatively first: it can be assumed that those who are equipped with over-confidence lack this «sense of failure». «Overconfidence may be said to occur when an individual's confidence in a decision or judgment consistently exceeds his or her accuracy in that judgment [...], the individual holds an overly positive rating of personal characteristics, has an undue optimism about the future or holds an unwarranted sense of ability to control events» (Wickham, 2006, p. 211).

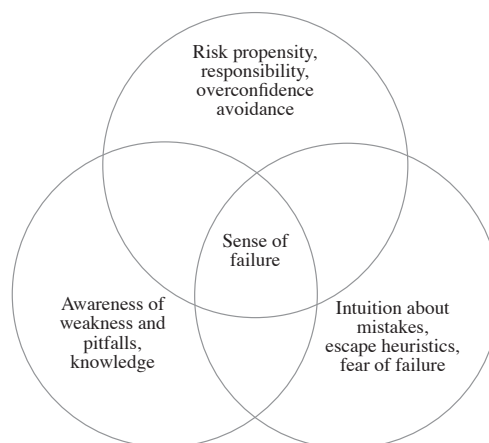
Several other authors (Bazerman, 2002; Gigerenzer, Hoffrage & Kleinbolting, 1991; Griffin & Tversky, 1992; Daniel, Hirshleifer & Subrahmanyam, 2001) have concurred with Wickham (2006). These are authors who, like Wickham himself, work in small experimental contexts and draw conclusions about a more complex reality. Wickham speaks of the attractiveness of a risk option which eventually disturbs an entrepreneur's sensitivity to reality. He demonstrates that individuals who are told of a probability of success will also opt for this probability if they are badly informed.

Similarly, Cassar (2010) shows that entrepreneurs are usually overoptimistic in the long run. This psychological feature is primarily rationalized by comparisons between initial expectations and the first outputs. The issue is therefore a self-comparison that contains plans and predictions. New ventures which enjoy a certain success early might overestimate future sales all the more and thus run the risk of going under. «I posit that those individuals who adopt an inside view to forecasting through the use of plans and financial projections, will exhibit greater *ex ante* bias in their expectations» (Cassar, 2010, p. 822). Such overestimations of probability weaken the sense of failure.

Further variables which further help to pinpoint the sense of failure include risk-taking propensity, failure resilience, overly positive self-rating, over-optimism, and the illusion of control (Hmieleski & Baron, 2009; Cassar, 2010). However, these constructs which are often examined experimentally, are merely a mirror-image of the real sense of failure. This sense leads to the development of entrepreneurial resilience. For this reason, it must be developed and brought to fruition in experiments and practical training courses.

What does constitute a sense of failure? As shown in Figure 1, a first element is made up of the knowledge of what could go wrong with start-ups in general and with the individual's own venture in particular. This knowledge may include the individual's own experiences of failure (negative episodic knowledge), narrations about how others have failed (advocatory negative knowledge), and acquired knowledge about where and how mistakes may occur in entrepreneurship (for instance if a business plan is unclear or unrealistic, if human resources are wrongly deployed, or if legal issues are ignored). This first element thus comprises the ability to diagnose weaknesses and to address them. Colloquially speaking, this means that someone has a nose for the venture he or she has set up (Fueglistaller, Müller, Müller et al., 2012).

Figure 1: The three dimensions of the sense of failure



The basis of all these elements is previous personal failure or experience gained from observing and reflecting on other individuals' failure. This forms the basis of a «negative entrepreneur's knowledge», or in other words, a knowledge of and awareness for the fact and the way in which the individual and others have failed (Oser & Spychiger, 2005; Bauer, Gartmeier & Harteis, 2012). In practical terms, a negative awareness includes experiences which entrepreneurs themselves or people close to them have gained (episodic entrepreneurial memory). Episodic error components which have been acquired by training, i.e. error analyses that can be reconstructed from memory, should be in place at least to an average extent.

The second element refers to the assumption of responsibility and correction management. We suggest that risk taking propensity (with a high degree of overconfidence) is completed by sober decision management with a high degree of corrective behaviour. Intuition about mistakes, heuristics and fear of failure help to mitigate risk and the ambiguity of economic decisions (Kirchler, 2001).

The type of representation – the framing – plays a crucial role. When loss is emphasized in the same kind of situations, decisions are made differently from when the emphasis is on profit (cf. the example of the half full or half empty glass of wine). Prospect theory suggests that on the basis of benefit maximization, people tend to simplify complex decision-making problems and then to assess the prospect (their possible options) in such a way that the ratio between subjective and objective value is mapped. In this context, subjective profits are generally rated less high than a loss of the same dimension. In other words, objective profit probabilities are usually subjectively overestimated.

Sunk costs can play a role, too. Thaler (1991) shows that once an investment has been made and something goes wrong, one is willing to make further investments. According to Kirchler (2001), the irrationality of throwing good money after bad is made clear by many paradigms and has been confirmed in numerous experiments. Generally speaking, the «sense of failure» ensures that fewer risks are taken and that these are tied to an entrepreneur's responsibility towards his or her employees and the firm as a whole.

The third element in Figure 1 refers to the fear of possible failure which is generally not suppressed but tends to be «cultivated». This fear is the motor that powers an intuitive relation to errors that should be prevented as effectively as possible and, as Gigerenzer (2008) explains in his work on good decisions, a production moment of heuristics (simplifying strategies that can be used to make judgments quickly and efficiently). In business, this decision process is often referred to as trial and error – a mostly unconscious journey from one event to another, picking up pieces of knowledge and experience both positive and negative (Schaper, & Volery, 2011). Good feelings, says Gigerenzer (2008), are what we experience and what, once they occur, usually determines our course of action.

Since rules of thumb are not only rooted in one's brain but also in the environment, adaptation is required. Adaptation means that the entrepreneurs need to identify potential pitfalls to which they will respond spontaneously, i.e. with rules of

thumb. With regard to corporate culture, Gigerenzer (2008) thinks that all executives have their personal rules of thumb which they develop, often unconsciously, in order to facilitate quick decision-making. Very often, because the odds of having to give up are very short for every entrepreneur, flexibility is important. Uncontrollable dynamics may occur at any juncture: suddenly, there are legal problems with a product; suddenly, a reliable customer fails to pay up, suddenly, an employee falls severely ill, suddenly, a machine breaks down, etc.

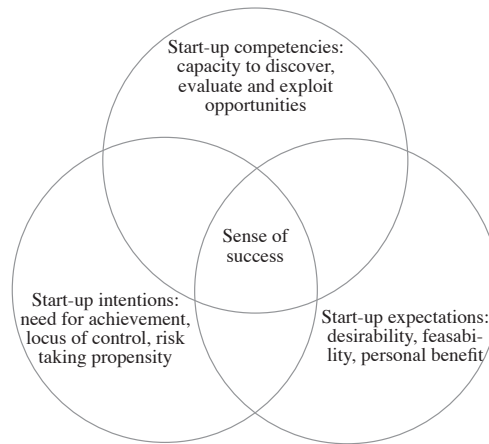
At the stage after the start-up, there are inadequacies and unforeseeable difficulties, which should therefore be detected adaptively because an interruption, a discontinuation or even failure can be prevented in this way. Things are often random; sometimes they are part of structural plans right from the start and then manifest themselves at certain junctures, often when they are not expected.

A salutary anxiety that something could go wrong somewhere or become possible also underpins the sense of failure. This is about observations that hitches may occur in product sales. Finally, the sense of failure is about risk assessment as a diagnostic tool for the realization of unusual business procedures. Risk assessment serves to prevent sudden corporate crashes, alongside the calculation of possible weak points and the will to intervene to tighten a screw here and there.

4.2 Sense of success

This focus refers to those elements which motivate entrepreneurs to try to bring themselves into alignment with their ideal selves and thus to attain desired self-states. When the sense of success is activated, people are motivated by self-standards based on wishes and aspirations of how they would like to be. The sense of success has been tackled in many studies by enumerating and examining the factors which contribute towards a start-up's emergence. Much of the research in this field relates to «critical success factors» and considers only entrepreneurs who could establish their business in the market place.

Figure 2: The three dimensions of the sense of success



The first dimension of the sense of success indicates that entrepreneurs must possess the capacity to discover and exploit an opportunity (Shane, 2003). Kirzner (1973) suggested that discovery stems from active search of opportunities and by entrepreneurial alertness (a propensity to notice and be sensitive to information about objects, incidents and patterns of behavior). Individuals with high alertness show a special sensitivity to maker and user problems, unmet needs and novel combinations of resources. Therefore, alertness emphasizes the fact that opportunities can sometimes be recognized by individuals who are not actively searching for them. However, what distinguish entrepreneurs from other individuals is that they will act when an opportunity materializes in order to assess its potential. They will typically take the initiative in solving a problem or in filling a vacuum where no leadership exists.

The second dimension of the sense of success encompasses key psychological characteristics. Among the almost endless list of entrepreneurial traits suggested, only three have received wide attention in the literature and show a higher level of validity (Schaper & Volery, 2011). Of all psychological measures presumed to be associated with the creation of new ventures, the need for achievement has the longest history. The need for achievement – a person's desire either for excellence or to succeed in competitive situations – is a key personal attribute of successful entrepreneurs (McClelland, 1967). Successful entrepreneurs are highly motivated in what they do. They are typically self-starters and appear driven internally to compete against their own self-imposed standards. High achievers take responsibility for attaining their goals, set moderately difficult goals, and want immediate feedback on how well they have performed.

Locus of control refers to the extent to which individuals believe that they can control events that affect them (McCombs, 1991). Individuals with a high internal locus of control believe that events result primarily from their own behavior and ac-

tions. Those with a high external locus of control believe that powerful others, fate, or chance primarily determine events. Effective entrepreneurs believe in themselves and usually exhibit a high internal locus of control. They have a perception of control of the events in their lives and they can therefore make their own destiny. This attribute is consistent with a high-achievement motivational drive and a need for autonomy.

What seems to underlie the internal locus of control is the concept of «self as agent». This means that individuals' thoughts control their actions and that when they realize this executive function of thinking, they can positively affect their beliefs, motivation, and to a certain extent their performance. As a result, the degree to which one chooses to be self-determining is a function of one's realization of the source of agency and personal control. In other words, we can say to ourselves: «I choose to direct my thoughts and energies toward accomplishment. I choose not to be daunted by my anxieties or feelings of inadequacy.»

Although entrepreneurs are not gamblers, they are characterized by a propensity to take calculated risks. In a world of change, risk, and ambiguity, successful entrepreneurs are those who learn to manage the risk, in part, by transferring part of the risk to others (investors, bankers, partners, customers, employees, and so forth). Risk taking propensity is, however, strongly influenced by cognitive heuristics. Entrepreneurs may not think of themselves as being anymore likely to take risks than non-entrepreneurs, but they are nonetheless predisposed to cognitively categorise business situations more positively (Palich, & Bagby, 1995). Entrepreneurs may thus view some situations as opportunities, even though others perceive them as having little potential.

The third dimension of the sense of success encompasses the desirability and personal benefits expected from the business venture. In this respect, entrepreneurs are invariably described as committed individuals who derive great satisfaction from being independent. One of the main driver to become an entrepreneur is the pursuit of autonomy and «to be their own boss».

4.3 When sense of success and sense of failure come together

In most entrepreneurship education and training courses, the sense of success tends to be emphasized by positive examples, sound action techniques and necessary tools. The knowledge and acceptance of a possible failure is largely neglected. Sommer and Wittrock (2011) report on a case of partial failure, where the damage caused does not usually lead to the company's downfall but provides more lessons to be learnt from it – necessary recall programs being a case in point. They call for measures which preserve customers' trust in the firm, i.e. usually not a kind of defense but the organization of the recall at the firm's own expense, that is to say, «concentrated crisis know-how». The prevention of a «noisy» recall and the encouragement of a «silent» recall is part of this, as are immediate responses to customer complaints. All this ought to be part of the training provided by start-up courses.

Success is only possible if we take into consideration all the hues of possible failure. Access to success through the identification of possible causes of failure constitutes a form of necessary forward-looking responsibility in connection with a firm's stability. An adequate economic understanding of a company's possible collapse may be more important than the belief that everything will proceed in the right direction. The naivety of the belief that everything will work if it is done right is badly battered by the «sense of failure».

Sometimes, one might say, the success of a start-up has nothing at all to do with the observance of success criteria but owes everything to a feeling for failure. And sometimes the observation of a process of failure is a clear-cut affair on the outside, but in factual and psychological terms there are complex background stories which are captured by the sense of failure. It is a constituent of a sense of failure that reason should be taken into consideration. But reason alone is not enough; it is merely a part of the construct which contributes towards a company's stability.

Ultimately, all these variables are about coming to terms with entrepreneurial competence. In this respect, Bröckling (2007) opines that on the one hand, there are the risks, i.e. those uncertainties which can be expressed in objective terms by means of probability calculus and thus be cushioned by means of technologies of insurance or prevention. On the other hand, there is that «pure uncertainty» against which no insurance policy can be taken out and no other preventive measures can be implemented because neither its frequency distribution nor its parameters are known.

5. Conclusion

In this paper we suggested that entrepreneurs need two critical overall competencies to launch a sustainable start-up. First, they must display a sense of success, being convinced that the entrepreneurial opportunity they are pursuing will make it in the market place. Second, they must also show a sense failure by developing an awareness and know-how for potential pitfalls and difficulties in all areas and at all stages of the start-up.

The sense of failure and the sense of success can serve as strategic inclinations in signal detection terms during the entrepreneurship process. In the language of regulatory focus theory, while considering their sense of success, individuals are typically in a promotion focus and motivated to use eagerness means – to ensure «hits» (representing gains). In contrast, while following their sense of failure, individuals are in a prevention focus, and as such, they are motivated to use vigilance means – to ensure «correct rejections» (representing non-losses) and to ensure against errors of commission or «false alarms» (representing losses) (Higgins et al., 2001).

By delving into the sense of success and the sense of failure for would-be entrepreneurs, we provided a framework to better understand the various motives, beliefs, and behaviors that ultimately dictate whether a given entrepreneurial venture can be successful. Accordingly, we made a contribution to the growing field of studies in self-regulation. This perspective can play an important role in social thought and

behavior through influencing the nature and value of projected outcomes and the motivation systems underpinning decision-making (Bryant & Dunford, 2008).

It is already known that self-efficacy (Bandura, 1997) and regulatory focus can be primed and enhanced through appropriate interventions (Higgins et al., 2001). Similar priming mechanisms could be incorporated into the training and education of would-be entrepreneurs, thereby improving their sense of success and sense of failure. This would improve the heuristics in decision making when individuals are about to «take the plunge» and set up their own business.

Much remains to be done to test the framework outlined in this paper. We call for empirical tests using matching pairs of both successful and unsuccessful entrepreneurs from similar industries in order to validate measurement and establish the impact of the sense of success and sense of failure on the performance of new business ventures. We hope to be able to develop three groups of scales according to the indicators as presented in Figure 1. Such empirical research will also evaluate the external validity of our framework and may help both scholars and practitioners in their varied quests to better understand the entrepreneurial processes and their associated outcomes.

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